set up Local Area Banks in the private sector for providing credit to the small scale business enterprises; and

(b) if so, the details thereof?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) With a view to providing an institutional mechanism for promoting rural savings as well as for the provision of credit for viable economic activities in the local areas, it has been decided to allow, the establishment, under strict criteria, of a small number of local area banks in the private sector. This is expected to bridge the gap in credit availability and enhance the institutional credit framework in rural and semi-urban areas.

The area of operation of the local area bank shall be a maximum of three geographically contiguous districts. The minimum paid up capital of such a bank shall be Rs. 5 crore and the promoters' contribution atleast Rs. 2 crore.

'In Principle' approvals have been issued in respect of only three banks, in view of the strict criteria.

Local area banks may provide credit to the small scale business enterprises also.

Non-Banking Finance Companies in Uttar Pradesh

*193. SHRIMATI JAYAPRADA NAHATA:
SHRI SANJAY DALMIA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that in Uttar Pradesh out of a total of 2,000 non-banking finance companies only a few have registered themselves with the RBI, yet all are functioning and a majority of them are even violating normal banking norms; and

(b) if so, the details thereof and action taken against the erring NBFCs in the State?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) According to the Reserve Bank of India (RBI) out of 1855 Non-Banking Financial Companies (NBFCs) on the mailing list of RBI Lucknow, 1425 have now applied for registration with RBI as per the provisions of Section 451A of RBI Act. Those companies which have applied for registration and are already in existence and carrying on the business of non banking financial institutions as on January 9, 1997 can continue to carry on their business till a decision is taken on their application for Certificate of Registration.

Prior to the amendment of the RBI Act on 9.1.97, RBI was inspecting unregistered NBFCs only when some adverse feature as come to their notice. Registered NBFCs are inspected by Financial Companies wing of Department of Supervision in the RBI normally as per the inspection programme drawn by the regional offices and approved by the Central Office of RBI.

As and when inspections of NBFCs are conducted by RBI, any irregularities noticed during the scrutiny are followed up for necessary corrective/penal action against delinquent companies. In terms of the recent amendment to RBI Act, powers have been conferred on RBI to file an application for winding up of an NBFC under the provisions of the Companies Act 1956, if it is, *inter alia*, unable to pay its debts. Under the said Act, the company Law Board has also been empowered to adjudicate and pass orders in case of non-repayment/non-payment of deposit/interest by NBFCs.

Transfer of Officers of Enforcement Directorate

*194. SHRI AMAR SINGH: Will the Minister of FINANCE be pleased to state:

(a) the number of officers of the Enforcement Directorate who have been shifted during the current year; and